

AMENDED IN ASSEMBLY JULY 5, 2001

AMENDED IN SENATE APRIL 5, 2001

SENATE BILL

No. 499

Introduced by Senator Soto

February 22, 2001

An act to amend Sections 22360 ~~and 22803 of, and~~ , 22802, and 24404 of, to amend and repeal ~~Section 22123~~ Sections 22123 and 24600 of, and to repeal Section 22139 of, the Education Code, relating to the State Teachers' Retirement System, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

SB 499, as amended, Soto. State Teachers' Retirement System.

The Teachers' Retirement Law provides that, prior to January 1, 2002, dependent, unmarried children of members of the Defined Benefit Program of the Teachers' Retirement Plan shall be eligible for disability and family benefits if they under 22 years of age on the date of the member's disability or death; however, on and after January 1, 2002, dependent, unmarried children of those members are eligible for those benefits only if they are under 18 years of age or under 22 years of age and full-time students, as defined, on the date of the member's disability or death.

This bill would instead provide that, on and after January 1, 2002, dependent, unmarried children of those members shall continue to be eligible for disability and family benefits if they are under 22 years of age on the date of the member's disability or death.

~~Exiting~~

Existing law, known as the Dave Elder State Teachers' Retirement System Home Loan Program Act, establishes a member home loan financing program and specifies that the maximum amount of any loan under that program shall not exceed \$350,000.

This bill would provide, instead, that the maximum amount of any loan under the program may not exceed 200% of the conforming loan limit set by either the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, as specified.

Under the existing Teachers' Retirement Law, members of the Defined Benefit Program of the Teachers' Retirement Plan may elect to receive service credit for time spent in certain types of service or activities that would not otherwise be creditable.

This bill would authorize those members to elect to receive service credit for time spent in a position subject to coverage by the Cash Balance Benefit Program of the Teachers' Retirement Plan, subject to specified conditions.

The bill would appropriate \$1,000,000 from the Teachers' Retirement Fund to the Teachers' Retirement Board for the administrative costs of implementing benefit changes, as specified.

Vote: majority. Appropriation: ~~no~~ yes. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 22123 of the Education Code, as added
- 2 by Section 9 of Chapter 1165 of the Statutes of 1996, is amended
- 3 to read:
- 4 22123. (a) "Dependent child" or "dependent children"
- 5 under the disability allowance and family allowance programs
- 6 means a member's unmarried offspring or stepchild who is not
- 7 older than 22 years of age and who is financially dependent upon
- 8 the member on the effective date of the member's disability
- 9 allowance or the date of the member's death.
- 10 (b) "Offspring" shall include the member's child who is born
- 11 within the 10-month period commencing on the earlier of the
- 12 member's disability allowance effective date or the date of the
- 13 member's death.
- 14 (c) "Offspring" shall include a child adopted by the member.



(d) “Dependent child” shall not include the member’s offspring or stepchild who is adopted by a person other than the member’s spouse.

(e) “Dependent child” under the family allowance program shall not include:

(1) The member’s offspring or stepchild who was financially dependent on the member on the date of the member’s death if a disability allowance was payable to the member prior to his or her death and the disability allowance did not include an amount payable for that offspring or stepchild.

(2) A stepchild or adopted child acquired subsequent to the death of the member.

(f) “Financially dependent” for purposes of this section means that at least one-half of the child’s support was being provided by the member on the member’s disability allowance effective date or the date of the member’s death. The system may require that income tax records or other data be submitted to substantiate the child’s financial dependence. In the absence of substantiating documentation, the system may determine that the child was not dependent on the effective date of the member’s disability allowance or the date of the member’s death.

(g) “Member” as used in this section shall have the same meaning specified in Section 23800.

SEC. 2. Section 22123 of the Education Code, as added by Section 9.5 of Chapter 1165 of the Statutes of 1996, is repealed.

SEC. 3. *Section 22139 of the Education Code, as added by Section 12.5 of Chapter 1165 of the Statutes of 1996, is repealed.*

~~22139. (a) “Full-time student” means a dependent child between 18 and 22 years of age:~~

~~(1) Who is in full-time attendance at an educational institution.~~

~~(2) For whom during any normal period of vacation or holiday of the institution involved there is sufficient evidence to satisfy the board of the dependent child’s intention to continue in full-time attendance at the educational institution immediately following the period of vacation or holiday.~~

~~(b) “Full-time student” does not mean and shall not include:~~

~~(1) A person who fails to return to full-time attendance immediately following any normal period of vacation or holiday.~~

~~(2) A person during a period of nonattendance if the nonattendance is due to expulsion or suspension.~~

~~(3) A person whose attendance at an educational institution is paid for and provided by the employer or is in the course of on-the-job training, unless the on-the-job training is part of the regularly established school training for which credit toward a diploma, certificate, or graduation is given.~~

~~(4) A person whose full-time course of study is directly paid for and sponsored under the Job Corps of the Economic Opportunity Act of 1964 (Public Law 88-452), as amended, or paid for or sponsored by any armed forces for this state or the United States of America.~~

~~(e) The final determination whether a person qualifies as a full-time student shall be made by the board in light of the standards and practices of the institution involved.~~

~~(d) This section shall become operative on January 1, 2002.~~

SEC. 4. Section 22360 of the Education Code is amended to read:

22360. (a) Notwithstanding any other provision of law, the board may pursuant to Section 22203 and in conformance with its fiduciary duty set forth in Section 22250, enter into correspondent agreements with private lending institutions in this state to utilize the retirement fund to invest in residential mortgages, including assisting borrowers, through financing, to obtain homes in this state.

(b) The program shall, among other things, provide:

(1) That home loans be made available to borrowers for the purchase of single-family dwellings, two-family dwellings, three-family dwellings, four-family dwellings, single-family cooperative apartments, and single-family condominiums.

(2) That the recipients of the loans occupy the homes as their principal residences in accordance with policies established by the board.

(3) That the home loans shall be available only for the purchase or refinance of homes in this state.

(4) That the amount and length of the loans shall be pursuant to a schedule periodically established by the board that shall provide a loan of up to 100 percent of the appraised value. In no event shall the loan amount exceed 200 percent of the conforming loan limit set by the Federal National Mortgage Association (FNMA) or 200 percent of the conforming loan limit set by the Federal Home Loan Mortgage Corporation (FHLMC), whichever

1 is greater. The portion of any loan exceeding 80 percent of value
2 shall be insured by an admitted mortgage guaranty insurer
3 conforming to Chapter 2A (commencing with Section 12640.01)
4 of Part 6 of Division 2 of the Insurance Code, in an amount so that
5 the unguaranteed portion of the loan does not exceed 75 percent
6 of the market value of the property together with improvements
7 thereon.

8 (5) That there may be prepayment penalties assessed on the
9 loans in accordance with policies established by the board.

10 (6) That the criteria and terms for its loans shall be consistent
11 with the financial integrity of the program and the sound
12 investment of the retirement fund.

13 (7) Any other terms and conditions as the board shall deem
14 appropriate.

15 (c) It is the intent of the Legislature that the provisions of this
16 section be used to establish an investment program for residential
17 mortgages, including assisting borrowers in purchasing homes in
18 this state, or refinancing a mortgage loan. The Legislature intends
19 that home loans made pursuant to this section shall be secured
20 primarily by the property purchased or refinanced and shall not
21 exceed the appraised value of that property.

22 (d) Appropriate administrative costs of implementing this
23 section and Section 22360.5 shall be paid by the participating
24 borrowers. Those costs may be included in the loan amount.

25 (e) Appropriate interest rates shall be periodically reviewed
26 and adjusted to provide loans to borrowers consistent with the
27 financial integrity of the home loan program and the sound and
28 prudent investment of the retirement fund. Under no
29 circumstances, however, shall the interest rates offered to
30 borrowers be below current market rate.

31 (f) The board shall administer this section and Section 22360.5
32 under other terms and conditions it deems appropriate and in
33 keeping with the investment standard. The board may adopt
34 policies as necessary for its administration of this section and
35 Section 22360.5 and to assure compliance with applicable state
36 and federal laws.

37 (g) This section and Section 22360.5 shall be known as, and
38 may be cited as, the Dave Elder State Teachers' Retirement System
39 Home Loan Program Act.

1 ~~SEC. 4.—Section 22803 of the Education Code is amended to~~
2 ~~read:~~

3 ~~22803.—(a) A member may elect to receive credit for any of~~
4 ~~the following:~~

5 ~~(1) Service performed in a teaching position in a publicly~~
6 ~~supported and administered university or college in this state.~~

7 ~~(2) Service performed in a certificated teaching position in a~~
8 ~~child care center operated by a county superintendent of schools~~
9 ~~or a school district in this state.~~

10 ~~(3) Service performed in a teaching position in the California~~
11 ~~School for the Deaf or the California School for the Blind, or in~~
12 ~~special classes maintained by the public schools of this state for the~~
13 ~~instruction of the deaf, the hard of hearing, the blind, or the~~
14 ~~semisighted.~~

15 ~~(4) Service performed in a certificated teaching position in a~~
16 ~~federally supported and administered Indian school in this state.~~

17 ~~(5) Time served, not to exceed two years, in a certificated~~
18 ~~teaching position in a job corps center administered by the United~~
19 ~~States government in this state if the member was employed to~~
20 ~~perform creditable service subject to coverage under the Defined~~
21 ~~Benefit Program within one year prior to entering the job corps and~~
22 ~~returned to employment to perform creditable service subject to~~
23 ~~coverage under the Defined Benefit Program within six months~~
24 ~~following the date of termination of service in the job corps.~~

25 ~~(6) Time spent on a sabbatical leave after July 1, 1956.~~

26 ~~(7) Time spent on an approved leave to participate in any~~
27 ~~program under the federal Mutual Educational and Cultural~~
28 ~~Exchange Program.~~

29 ~~(8) Time spent on an approved maternity or paternity leave of~~
30 ~~two years or less in duration, regardless of whether or not the leave~~
31 ~~was taken before or after the addition of this subdivision.~~

32 ~~(9) Time spent on an approved leave, up to four months in any~~
33 ~~12-month period, for family care or medical leave purposes, as~~
34 ~~defined by Section 12945.2 of the Government Code, as it read on~~
35 ~~the date leave was granted, excluding maternity and paternity~~
36 ~~leave.~~

37 ~~(10) Time spent employed by the Board of Governors of the~~
38 ~~California Community Colleges in a position subject to coverage~~
39 ~~by the Public Employees' Retirement System between July 1,~~
40 ~~1991, and December 31, 1997, provided the member has elected~~

1 ~~to return to coverage under the State Teachers' Retirement System~~
2 ~~pursuant to Section 20309 of the Government Code.~~

3 ~~(11) Time spent in a position subject to coverage by the Cash~~
4 ~~Balance Benefit Program, excluding service credited pursuant to~~
5 ~~Section 26402, if the member has terminated all service subject to~~
6 ~~coverage under the Cash Balance Benefit Program. Upon electing~~
7 ~~to receive service credit pursuant to this paragraph, no benefit shall~~
8 ~~be payable to the member from the Cash Balance Benefit Program~~
9 ~~pursuant to Part 14 (commencing with Section 26000).~~

10 ~~(b) Except as otherwise provided in paragraph (11) of~~
11 ~~subdivision (a), the member may not receive credit for service or~~
12 ~~time described in paragraphs (1) to (10), inclusive, of subdivision~~
13 ~~(a) if the member has received or is eligible to receive credit for~~
14 ~~the same service or time in the Cash Balance Benefit Program~~
15 ~~under Part 14 (commencing with Section 26000) or another~~
16 ~~retirement system.~~

17 *SEC. 5. Section 22802 of the Education Code is amended to*
18 *read:*

19 22802. (a) A member who was previously excluded from
20 membership in the Defined Benefit Program may elect to receive
21 credit for:

22 (1) Service as a substitute excluded under Section 22602.

23 (2) *Creditable service subject to coverage under the Cash*
24 *Balance Benefit Program, excluding service credited pursuant to*
25 *Section 26402, if the member has terminated all service subject to*
26 *coverage under the Cash Balance Benefit Program. Upon electing*
27 *to receive credit under this paragraph, the member shall cease to*
28 *be eligible for a benefit for the same service or time previously*
29 *credited under the Cash Balance Benefit Program pursuant to Part*
30 *14 (commencing with Section 26000).*

31 (3) Service performed on a part-time basis excluded under
32 Section 22601.5 or Section 22604, *other than service credited*
33 *under paragraph (2).*

34 ~~(3)—~~

35 (4) Adult education service excluded under Section 22603, as
36 it read on December 31, 1995.

37 ~~(4)—~~

38 (5) Service as a school nurse excluded under Section 22606, as
39 it read on December 31, 1995.

40 ~~(5)—~~

(6) Service performed in a position prior to the date the position was made subject to coverage under the Defined Benefit Program.

~~(6)~~

(7) Service subject to coverage under the Defined Benefit Program performed while a member of another California public retirement system, provided the member has ceased to be a member of, and has ceased to be entitled to benefits from, the other retirement system. The member shall not receive credit for the service if the member may redeposit withdrawn contributions and subsequently be eligible for any benefits based upon the same service or based upon other full-time service performed during the same period, from another California public retirement system.

(b) A member who elects to receive credit under this part for service performed while excluded from membership under the Defined Benefit Program shall pay all of the required contributions for all or the portion of that service for which the member elects to receive credit.

(c) *A member may not elect to receive credit for service or time described in paragraphs (1) and (3) to (7), inclusive, of subdivision (a) if, after the election, the member would continue to receive credit for the same service or time in the Cash Balance Benefit Program under Part 14 (commencing with Section 26000) or another retirement system.*

SEC. 6. *Section 24404 of the Education Code is amended to read:*

24404. (a) Effective July 1, 1973, the benefits of persons eligible for survivor benefits pursuant to former Section 14186 as it read on June 30, 1972, shall be increased as follows:

(1) Those eligible for ninety dollars (\$90) per month shall be increased to one hundred five dollars (\$105) per month.

(2) Those eligible for one hundred eighty dollars (\$180) per month shall be increased to two hundred ten dollars (\$210) per month.

(3) Those eligible for two hundred fifty dollars (\$250) per month shall be increased to two hundred ninety-five dollars (\$295) per month.

(b) These benefits shall be subject to the provisions of Sections 22139 and Section 24403 with the first annual improvement to occur on September 1, 1974, and annually thereafter.

1 *SEC. 7. Section 24600 of the Education Code, as amended by*
2 *Section 40 of Chapter 1021 of the Statutes of 2000, is amended to*
3 *read:*

4 24600. (a) A retirement allowance under this part begins to
5 accrue on the effective date of the member's retirement and ceases
6 on the earlier of the day of the member's death or the day on which
7 the retirement allowance is terminated for a reason other than the
8 member's death.

9 (b) A retirement allowance payable to an option beneficiary
10 under this part begins to accrue on the day following the day of the
11 retired member's death and ceases on the day of the option
12 beneficiary's death.

13 (c) A disability allowance under this part begins to accrue on
14 the effective date of the member's disability allowance and ceases
15 on the earlier of the day of the member's death or the day on which
16 the disability allowance is terminated for a reason other than the
17 member's death.

18 (d) A family allowance under this part begins to accrue on the
19 day following the day of the member's death and ceases on the day
20 of the event that terminates eligibility for the allowance.

21 (e) A survivor benefit allowance payable to a surviving spouse
22 under this part pursuant to Chapter 23 (commencing with Section
23 23850) begins to accrue on the day the member would have
24 attained 60 years of age or on the day following the day of the
25 member's death, as elected by the surviving spouse, and ceases on
26 the day of the surviving spouse's death.

27 (f) A child's portion of an allowance under this part begins to
28 accrue on the effective date of that allowance and ceases on the
29 earlier of either the termination of the child's eligibility or the
30 termination of the allowance.

31 ~~(1) Until January 1, 2002, a person who on December 31, 1996,~~
32 ~~is between 18 and 22 years of age and who is eligible as a full-time~~
33 ~~student to receive a child's portion of an allowance shall continue~~
34 ~~to be eligible for a child's portion until the person attains 22 years~~
35 ~~of age or until the first day of the month following the end of the~~
36 ~~school quarter or semester that is in progress in the month the~~
37 ~~person attains 22 years of age provided prior verification of~~
38 ~~full-time student status is received by the board. If verification is~~
39 ~~not received by the board prior to the date the person attains 22~~

1 years of age, the allowance or the child's portion of the allowance
2 shall cease on the day the full-time student attains 22 years of age.

3 (2) Notwithstanding subdivision (c) of Section 22123, until
4 January 1, 2002, a person who on December 31, 1996, is between
5 18 and 22 years of age and who is not eligible as a full-time student
6 to receive a child's portion of an allowance, may return to school
7 on a full-time basis on or after January 1, 1997, and become
8 eligible for a child's portion from the date of return to full-time
9 student status until 22 years of age or until the first day of the
10 month following the end of the school quarter or semester that is
11 in progress in the month the person attains 22 years of age provided
12 prior verification of full-time student status is received by the
13 board. If verification is not received by the board prior to the date
14 the person attains 22 years of age, the allowance or the child's
15 portion of the allowance shall cease on the day the full-time
16 student attains 22 years of age. No benefits shall be payable under
17 this paragraph for a person who does not return to school as a
18 full-time student prior to attaining 22 years of age.

19 (g) Supplemental payments issued under this part pursuant to
20 Sections 24701, 24702, and 24703 to retired members, disabled
21 members, and beneficiaries shall begin to accrue pursuant to
22 Sections 24701, 24702, and 24703 and shall cease to accrue as of
23 the termination dates specified in subdivisions (a) to (f), inclusive,
24 of this section.

25 (h) Notwithstanding any other provision of this part or other
26 law, distributions payable under the plan with respect to the
27 Defined Benefit Program and the Defined Benefit Supplement
28 Program shall be made in accordance with applicable provisions
29 of the Internal Revenue Code of 1986, as amended, and *related*
30 regulations. The required beginning date of benefit payments that
31 represent the entire interest of the member in the plan with respect
32 to the Defined Benefit Program and the Defined Benefit
33 Supplement Program shall be either:

34 (1) In the case of a refund of contributions, as described in
35 Chapter 18 (commencing with Section 23100) of this part and
36 distribution of an amount equal to the balance of credits in a
37 member's Defined Benefit Supplement account, as described in
38 Chapter 38 (commencing with Section 25000) of this part, not later
39 than April 1 of the calendar year following the later of both of the
40 following:

1 ~~(A) The~~ *the* calendar year in which the member attains age
2 70¹/₂ years.

3 ~~(B) The~~ *of age or the* calendar year in which the member
4 terminates employment within the meaning of subdivision (i).

5 (2) In the case of a retirement allowance, as defined in Section
6 22166, ~~beginning~~ not later than April 1 of the calendar year
7 following the later of (A) the calendar year in which the member
8 attains age 70¹/₂ years; *of age* or (B) the calendar year in which the
9 member terminates employment within the meaning of
10 subdivision (i), to continue over the life of the member or the lives
11 of the member and the member's option beneficiary, or over the
12 life expectancy of the member or the life expectancy of the
13 member and the member's option beneficiary.

14 (i) For purposes of subdivision (h), the phrase "terminates
15 employment" means the later of:

16 (1) The date the member ceases to perform creditable service
17 subject to coverage under this plan.

18 (2) The date the member ceases employment in a position
19 subject to coverage under another public retirement system in this
20 state if the compensation earnable while a member of the other
21 system may be considered in the determination of final
22 compensation pursuant to Section 22134, 22135, or 22136.

23 ~~(j) This section shall remain in effect only until January 1,~~
24 ~~2002, and as of that date is repealed, unless a later enacted statute,~~
25 ~~which is enacted before January 1, 2002, deletes or extends that~~
26 ~~date.~~

27 *SEC. 8. Section 24600 of the Education Code, as added by*
28 *Section 42 of Chapter 1021 of the Statutes of 2000, is repealed.*

29 ~~24600. (a) A retirement allowance under this part begins to~~
30 ~~accrue on the effective date of the member's retirement and ceases~~
31 ~~on the earlier of the day of the member's death or the day on which~~
32 ~~the retirement allowance is terminated for a reason other than the~~
33 ~~member's death.~~

34 ~~(b) A retirement allowance payable to an option beneficiary~~
35 ~~under this part begins to accrue on the day following the day of the~~
36 ~~retired member's death and ceases on the day of the option~~
37 ~~beneficiary's death.~~

38 ~~(c) A disability allowance under this part begins to accrue on~~
39 ~~the effective date of the member's disability and ceases on the~~
40 ~~earlier of the day of the member's death or the day on which the~~

~~1 disability allowance is terminated for a reason other than the~~
~~2 member's death.~~

~~3 (d) A family allowance under this part begins to accrue on the~~
~~4 day following the day of the member's death and ceases on the day~~
~~5 of the event that terminates eligibility for the allowance.~~

~~6 (e) A survivor benefit allowance payable to a surviving spouse~~
~~7 under this part pursuant to Chapter 23 (commencing with Section~~
~~8 23850) begins to accrue on the day the member would have~~
~~9 attained 60 years of age or on the day following the day of the~~
~~10 member's death, as elected by the surviving spouse, and ceases on~~
~~11 the day of the surviving spouse's death.~~

~~12 (f) A child's portion of an allowance under this part begins to~~
~~13 accrue on the effective date of that allowance and ceases on the~~
~~14 earlier of either the termination of the child's eligibility or the~~
~~15 termination of the allowance. An allowance payable because of a~~
~~16 full-time student shall terminate on the first day of the month~~
~~17 following the end of the school quarter or semester that is in~~
~~18 progress in the month the full-time student attains 22 years of age.~~
~~19 Any adjustment to an allowance because of a full-time student's~~
~~20 periods of nonattendance shall be made as follows: the allowance~~
~~21 shall cease on the first day of the month in which return to full-time~~
~~22 attendance was required and shall begin to accrue again on the first~~
~~23 day of the month in which full-time attendance resumes.~~

~~24 (g) Supplemental payments issued under this part pursuant to~~
~~25 Sections 24701, 24702, and 24703 to retired members, disabled~~
~~26 members, and beneficiaries shall begin to accrue pursuant to~~
~~27 Sections 24701, 24702, and 24703 and shall cease to accrue as of~~
~~28 the termination dates specified in subdivisions (a) to (f), inclusive.~~

~~29 (h) Notwithstanding any other provision of this part or other~~
~~30 law, distributions payable under the plan with respect to the~~
~~31 Defined Benefit Program and the Defined Benefit Supplement~~
~~32 Program shall be made in accordance with applicable provisions~~
~~33 of the Internal Revenue Code of 1986, as amended, and related~~
~~34 regulations. The required beginning date of benefit payments that~~
~~35 represent the entire interest of the member in the plan with respect~~
~~36 to the Defined Benefit Program and the Defined Benefit~~
~~37 Supplement Program shall be either:~~

~~38 (1) In the case of a refund of contributions, as described in~~
~~39 Chapter 18 (commencing with Section 23100) of this part, and~~
~~40 distribution of an amount equal to the balance of credits in a~~

~~member's Defined Benefit Supplement account, as described in Chapter 38 (commencing with Section 25000) of this part, not later than April 1 of the calendar year following the later of (A) the calendar year in which the member attains 70¹/₂ years of age or (B) the calendar year in which the member terminates employment within the meaning of subdivision (i).~~

~~(2) In the case of a retirement allowance, as defined in Section 22166, beginning not later than April 1 of the calendar year following the later of (A) the calendar year in which the member attains 70¹/₂ years of age or (B) the calendar year in which the member terminates employment within the meaning of subdivision (i), to continue over the life of the member or the lives of the member and the member's option beneficiary, or over the life expectancy of the member or the life expectancy of the member and the member's option beneficiary.~~

~~(i) For purposes of subdivision (h), "terminates employment" means the later of:~~

~~(1) The date the member ceases to perform creditable service subject to coverage under this plan.~~

~~(2) The date the member ceases employment in a position subject to coverage under another public retirement system in this state if the compensation earnable while a member of the other system may be considered in the determination of final compensation pursuant to Section 22134, 22135, or 22136.~~

~~(j) This section shall become operative on January 1, 2002.~~

SEC. 9. There is hereby appropriated the sum of one million dollars (\$1,000,000) from the Teachers' Retirement Fund to the Teachers' Retirement Board for the payment of administrative costs of implementing benefit changes that shall become operative on or after January 1, 2002.